

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

September 16, 2014

Council Chamber

CONVENE: 9:04 a.m.

PRESENT: Councilmember Mike White, Chair
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member (in 9:40 a.m.)
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (out 9:45 a.m., in 9:48)
Councilmember Michael P. Victorino, Member

EXCUSED: VOTING MEMBERS:
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Gladys C. Baisa, Member
Councilmember Donald G. Couch, Jr., Member

STAFF: Michele Yoshimura, Legislative Analyst
Yvette Bouthillier, Committee Secretary

Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)

Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)

Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

ADMIN.: Sananda Baz, Budget Director, Office of the Mayor
Mark R. Walker, Deputy Director, Department of Finance (BF-113, BF-76)
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Jim Smith (BF-76, BF-124)
Rosemary Robbins (BF-124)
Catherine Clark (BF-76)
David DeLeon, Realtors Association of Maui (BF-76)
Paul Laub (BF-76)
Thomas Croly, Maui Vacation Rental Association (BF-76)
Holden Smith (BF-76)

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Others (5)

PRESS: Akaku: Maui Community Television, Inc.

CHAIR WHITE: Good Morning. This Budget and Finance Committee meeting will please come to order. It's September 16th, it's a little after 9:00 in the morning and I'd like to start off by welcoming our Council Vice Chair, Bob Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR WHITE: Good morning. And Member Stacy Crivello

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR WHITE: Good morning. Don Guzman.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR WHITE: Good morning. And Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha and good morning, Chair.

CHAIR WHITE: And excused for today are Members, Riki Hokama, Don Couch, Chair Gladys Baisa and Elle Cochran will be joining us shortly, she has gotten caught in the traffic.

COUNCILMEMBER VICTORINO: Oh was that bad this morning? That, even us guys here in Wailuku.

CHAIR WHITE: So with that, Members, we have a reasonably light agenda after all. Just for everyone's information the Economic Development Revolving Fund discussion will be deferred until our next meeting, because it's, the Department is not, the people that are important for us to have here are not available today. So we will defer that until our next meeting. And so with that we'll move into our public testimony and our first testifier is Jim Smith. And I believe he is testifying on two of today's items.

...BEGIN PUBLIC TESTIMONY...

MR. J. SMITH: Good morning, Chair White, Members of the Budget and Finance Committee. I'm going to testify on two items today. One is the Short-Term Rental Property Tax and the other is the Item 124 which is the Solid Waste Management, let's call it dilemma but I

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think the two can integrate. All I have is the, is the name here, I don't have any documents, I don't think they were available, but I recognize that recently there was a news item that said that on Maui County there were 12,000 unreported bed and breakfasts, okay, it used to be 3,000, alright. The County has decided that they, the problem is regulation and so there's bed and breakfasts, there's short-term rentals all that kind of stuff. Turns out it's not regulation at all, it's something else we now have 12,000 when we didn't, we had 3,000, what is that? What's that dynamic? It's a political dynamic, it's an ideological dynamic. Okay, and that's something you need to be aware of, okay, before we tamper with any laws we gotta know the dynamic, and the way this ideology is coming forward is by changing words. It, it has to do with the set theory in math, we have a set inside circles and then you have connecting circles. Well if you can get everyone in a set, okay then you're on the wrong set and you can go forever and you'll never know where you are and that's what's happening with this County as it relates to our laws. They're in a set, hey but it's not the set the Mayor is working off of. Okay so we're in, we're in different worlds and so we're in havoc. Okay and the way it's done is you take the word community, okay, that word doesn't belong in a Council because it's the County. It's the County not community; you can break a community into three people or it can go as high as a continent. So it's not, it's Council and County and when you change that dynamic you change the ideology, okay, and that's what's happening here, alright. When you take these words, you take shame, there's no shame in this, in this Chamber, there's no shame in a political dynamic there's only respect or non-respect. There's only a branch that's legislative or no branch that's legislative and we've got to fight for that, because that means our vote feeds the tree that these branches stem from. It's not a canoe, I'll get that. It's not a canoe with everybody with a paddle and a command saying stroke, stroke, stroke and we get there quicker, that's a different ideology.

MS. YOSHIMURA: Three minutes, Mr. Smith.

MR. J. SMITH: If you look at the Mayor's budget proposal on March 25th on Page 1, he tells you that we're all together in a canoe and we stroke at the command and we go quickly to the end result, wrong place, wrong ideology. Respect, you look at our Charter, pono I think in that context means respect. Dignity, no need to define dignity. Driven, respect and dignity not personal and that person is what's corrupting the public perception of our County and I would say stay strong, recognize this. It's so much more important than an election.

MS. YOSHIMURA: Four minutes.

MR. J. SMITH: Thank you very much.

CHAIR WHITE: I wasn't sure when you transitioned from one item to the other.

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MR. J. SMITH: No this was, this was not a transition.

CHAIR WHITE: Oh, okay.

MR. J. SMITH: This was speaking to short-term rentals and the fact that you had a law that was administered and, and there were 3,000 and now there's no law, there's three laws none of which matter and there are 12,000, that related to my comments of ideology.

CHAIR WHITE: Okay, please proceed.

MR. J. SMITH: Sorry, you asked.

CHAIR WHITE: Please proceed with your testimony on the next item.

MR. J. SMITH: This is, this is the one that is really problematic. All right, I have a, if I can organize for a second. Alright, a time line, okay, on March 25, 1914 [*sic*], you got a proposal, Page 1 of the proposal talks about this canoe, okay, that's for the Budget 2014. May 6, 09 first reading was adopted. June 6th or June 09, June 17 the Mayor's veto message. June 19 press release announcing a change in policy affecting Solid Waste now that's the 19th of June when this starts and it says on August 1st it's gonna start. Okay, then we have on August 20 the mail-out, August 28th the mail-out of a important reminder and in this important reminder the Executive urges all the people who've suffered as a result of the cutback they brought to come and complain about that to the Council. So they're having meetings going on now to do that and that I think needs to be stopped. I think you need to censor the Mayor so that they don't go out in their own world and campaign basically against the Legislative Branch, there has to be something concrete done. It's not a neighbor dispute, it's not a marital dispute, this is a County, this has a Legislative/Executive Branch, there's been an abuse of power, it needs to stop. You can't ignore it, you're victimized if you want to bow your heads and say, okay hit me again, well then do it again. But if you want to be courageous, stop the nonsense. That's all, you're political. It goes on. September 4th all right the Mayor tells you've got a chance, you've got a chance to bring the County people back with waste treatment, it's not even your problem, you're a Legislative, he's blaming you. Okay and that's on the 4th, September 4th, September 7th okay. The Mayor admits he's campaigning, okay, but it's a family thing, well that's a different ideology. That's ohana maybe, but I don't even think ohana had that, I think, I don't know what it is but if you don't stand up, who will? The voter? Huh, the voters are heading south, they want to hide, there's too much power flying around without management. Why vote? But it's up to you, it's up to you and you can follow these timelines. This is that on the 19th the news release. What are we governed by announcements? Is this gonna be the new law? Some guy in an office,

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information office, we never had an information office, public information office, Mr. Antone, he writes a letter and we're governed by it, and he attaches --

MS. YOSHIMURA: Three minutes.

MR. J. SMITH: --regulations on the back and be aware in a month you're gonna get this. What is that? You gotta be strong, hold us together, that's why we have the tree, the County and not the community, the leaf, that's why we have the branch, okay, and not the paddle. So please stay with this, fight it. Thank you very much.

CHAIR WHITE: Members, any questions for the testifier? Seeing none, thank you very much for your testimony this morning, Mr. Smith. Our next testifier is Rosemary Robbins testifying on BF-124, it looks.

MS. ROBBINS: Good morning, everybody.

CHAIR WHITE: Good morning.

MS. ROBBINS: Concerned about item BF-124 on this morning's docket. I got ahold of the materials relative to this and the operation of solid waste and took a look at the amounts that we were paying, we the taxpayers were paying for negligence, operations in terms of solid waste both here and on the island of Molokai. And through the process of delay, delay, delay we end up having to pay just phenomenal sums of money for trash address which has been going on forever, the need for the trash address. I think this process has not been going on forever but it's certainly been going on for too long. The cost that we're being paid for this are huge. No wonder the County felt as though it was in need of having extra money come in, i.e. the taxpayers get to lug that in. We're talking about not only the penalties that are there in terms of the negligence that has happened and the poor operations to some degree that have happened there but also the fact that those continue on if those payments aren't made pretty darn quickly, so those PDQ requirements that are in there, I'm not too sure whether or not they have been paid off, I haven't seen that. But I did read the compliance penalties that were in there, I mean we're talking about thousands of dollars a day. I don't know who has that kind of money in the sugar bowl or something to be able to just pay that out and let it go on and on and on. So, Mr. Chairman, I'm asking you is this particular issue going to be one that's going to be handled at a County Council meeting instead of a Budget and Finance?

CHAIR WHITE: What, would...that has to be. . .

MS. ROBBINS: When you started this morning, you mentioned that something was going to be handled in another format, other time and I get. . .

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CHAIR WHITE: That was the Economic Development Revolving Fund issue. Please proceed with your testimony.

MS. ROBBINS: Okay. Alright well listed under today's agenda on BF-124 it talks about the Solid Waste Division. So I thought they were related 'cause it's in today's agenda and I just want to say again we need to make sure that we don't continue to not address what the State Department of Health certainly says we need or they're the ones that sued us and are charging us this. So our County certainly doesn't want to be less responsible than the State or what's going on in our County and this afternoon. . .

MS. YOSHIMURA: Three minutes.

MS. ROBBINS: Thank you. This afternoon in Wailuku there is a meeting that was identified on KITV this morning, a meeting in Honolulu addressing the water issues that are problematic because of what's been happening, and *The Maui News* had printed the wrong address for that but I found out that there is a proper address, it is happening and it's going to be teleconferenced for those of us who are on other islands. That's a real step forward to not have the neighbor islands just excluded from that. So hooray for that end of it. Thank you.

CHAIR WHITE: Thank you. Any questions for the testifier? Seeing none, thank you for coming this morning, Ms. Robbins.

MS. ROBBINS: You're welcome.

CHAIR WHITE: And our next testifier is Catherine Clark testifying on BF-76.

MS. CLARK: My name is Catherine Clark, I'm a board member of the Maui Vacation Rental Association. Aloha, Chair White and Budget and Finance Committee members. It's been a very long journey to get here, 20 years ago the County promised legislation to allow short-term rentals to operate legally. The STR Ordinance was passed in May 2012 and we are excited to finally discuss the last piece of the puzzle, the tax rate that will apply to these short-term rental homes. In this discussion one of the questions that comes up is whether this would be fair to the condos that are paying hotel tax when they declare their use as a short-term rental? There are significant differences between condos and STR homes. Condos have many units sharing a property giving each unit a much smaller piece of land which keeps, helps to keep their tax in line. Most individual condo units have a very low land value. An STR can be shut down for being a bad neighbor but a condo cannot, no matter how frequently they party or disrupt their neighbors the condo will not lose their right to vacation rent, STR homes must abide by a strict set of rules. Condos can build a business complete with a Web site, returning clients and they can actually sell this business when they sell their condo. The STR permit is non-

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transferrable, has no value beyond the current owner. Condos do not have to provide their complete building permit history, or meet specific health and safety standards in order to rent, they can put up an ad and start immediately, regardless of the safety of their specific unit. STR properties go through an intense health and safety approval and are checked to be sure that all building is in compliance. Condos do not go through a permitting process and pay an annual permit fee as an STR would. Condos do not need the million dollar liability policy naming the County of Maui as an additional insured that is required of an STR. This alone can represent an expense of \$1,400 to \$2,200 per year. Condos do not need to abide by specific rules, vacationing rental guests in a condo can invite other guests for dinner, STR guests cannot. Condos can have their extra guests park along the street or elsewhere, STR guests cannot, they provide their own parking within their property. A Hotel tax rate is one of the largest deterrents to owners making application. With a property that rents in the lower price ranges, Hotel tax makes the STR unviable. The hotels can pay their property tax with an average of 5.23 occupied nights. I looked at a variety of condos, some lower end, some luxurious and they are paying their tax with an average of 18.25 occupied nights. But to use a specific example of one simple oceanfront property on the North Shore --

MS. YOSHIMURA: Three minutes.

MS. CLARK: --if the tax rate is in the Hotel category it would take that property 55 nights, occupied nights to pay their tax. We recognize that the STR properties need to pay something, we are asking that the something be reasonable and suggest the Commercial category. Thank you.

CHAIR WHITE: Thank you. Members, questions for the testifier? Seeing none, thank you very much, Ms. Clark. The next testifier is, David DeLeon also testifying on BF-76.

MR. DELEON: Good morning. Aloha.

CHAIR WHITE: Good Morning.

MR. DELEON: I'm Dave DeLeon representing Maui's 1,400 licensed realtors. Our association appreciates this opportunity to address the unfair way that short-term rental properties are being taxed in Maui County. RAM is proud to have played a part in the creation of Maui County's legislation to permit residential vacation rental properties. In the case of the B&B properties, unique legislation was crafted and an appropriate tax rate was established by the County Council. In the case of the short-term rentals, the legislation followed the B&B pattern but the Council did not set a tax rate for this category of properties, and instead the County Property Tax Division decided on its own to classify these property as Hotel for tax purposes. While indeed these properties do share with the hotels the characteristic that they rent short term, it is a stretch too far to classify them as

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Hotels for tax or any other purpose. While the existing, while under the existing ordinance owners of the property, of this type of property cannot develop any equity in their rental business. No other business activity beyond the rental is permitted. The and the use of the rooms is highly restricted so it's only a, you know, small number of rooms on the properties that are actually permitted. The use of the property is so highly restricted that, that's exactly what it is, it's nothing beyond that character except for the agricultural properties. A number of these properties are in Agricultural Districts, which means they are also required to farm. As a result of the Property Tax Division's action we end up with the oddity in which farms are being taxed as Hotels. Because these properties are second homes they are being used as short-term rentals for at least part of the year, we support the proposal that they be taxed at the Commercial rate. This rate reflects the properties higher use, while also acknowledging that they are not traditional hotels. The purpose of creating short-term rental permit was to give these properties the opportunity to legally contribute to our economy while also being good neighbors. By most accounts that has happened. The best way to derail this process and to keep other owners from seeking the permit is to unfairly tax these properties. Hotel rates for STRs is unfair and does not reflect the way Chapter 19 characterizes short-term rental properties. Mr. Chairman for the record, somebody mentioned earlier in testimony that there was a news account that, that was the number of vacation rentals in Maui County. That was an apples and oranges mess that the hotels, not the...the Hawaii Tourism Association --

MS. YOSHIMURA: Three minutes.

MR. DELEON: --got it confused with our rental properties, our, our permitted, zoned Apartment zoned rental properties known as the Minatoya properties and there's maybe 8,000 of those in with the vacation rentals, the residential so it's not really a good number, who knows what the particular number really is but the 12,000 is off the edge. Mahalo.

CHAIR WHITE: Thank you. Members, any questions for the testifier?

COUNCILMEMBER VICTORINO: Yeah. Mr. Chair, if I may.

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: Yeah. Thank you, Mr. Chair, and thank you, Mr. DeLeon, for being here this morning, couple of quick questions. What were, what you're asking us now is because the short-term vacation rentals which are many times homes or a part of a structure of a dwelling, right, not a condominium, you're asking us now that you feel by going from Residential straight to Hotel because they lack the amenities that a hotel would be able to provide, is that what the basic crux of the issue is?

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MR. DELEON: If you have a Hotel zoned property you have the ability to maximize the density, you'd have hundreds of units on that property. You'd be able to use it for luau grounds and other kinds of commercial activities. You could have all kinds of uses on that property, there's no restriction, you don't have to come back for permits every month, every year. You don't have to any kind of review by the County. These properties are very highly restricted in their use.

COUNCILMEMBER VICTORINO: Okay.

MR. DELEON: Now so I, so I mean and, and the owner, the owner doesn't get any equity out of this so there is no way to build the business and sell it as they would do in a hotel.

COUNCILMEMBER VICTORINO: Okay. So that's why I'm just trying to get a clarification in what you're trying to come across, because you guys also bringing in about condos and, you know, so I understand the difference with a hotel versus a condo, now I understand all the condos are short-term rentals also. Am I correct in saying that?

MR. DELEON: That's, that's correct yeah.

COUNCILMEMBER VICTORINO: And, and so what do you say to that issue as far as condos are concerned? Now that's different than vacation rentals right?

MR. DELEON: I, I think Cassie's testimony, Cathy Clark's testimony really addressed that accurately I mean they're two different animals.

COUNCILMEMBER VICTORINO: They're two different animals so we should look at maybe separation of the two entities.

MR. DELEON: Well they are separate. I mean short-term rentals is a separate category.

COUNCILMEMBER VICTORINO: Okay. So I'm just trying to get this straight, you folks are dealing with the short-term rentals that are dwellings that are basically --

MR. DELEON: But.

COUNCILMEMBER VICTORINO: --three or four rooms in a house or whatever, right?

MR. DELEON: Basically a short-term rental is where you rent the whole house.

COUNCILMEMBER VICTORINO: Okay.

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MR. DELEON: So, so it's not like a B&B where you're renting out rooms in the house, you, the whole house is rented at a time as an entity.

COUNCILMEMBER VICTORINO: Okay. So that is what I want the public to understand.

MR. DELEON: Oh okay.

COUNCILMEMBER VICTORINO: That's I'm trying to prod you along to get that so that the public understands.

MR. DELEON: Sorry, I'm a little slow.

COUNCILMEMBER VICTORINO: No, no, that's okay, you know, and I, and I maybe I should address the question a little different maybe, that's my, my fault, my bad and I apologize. But what I'm trying to say is if you're the short-term rental, I come in and I rent your house for or rent that house for a week or two as a entity, whereas your talking condos are strictly rooms, and the differences in hotels is again multiple rooms in, in a in a small location without the ambiances like restaurants, and et cetera, et cetera, right. So and it's highly restricted because you gotta park on property, you know, parties and all of these different issues makes it so hard for them to do business versus a hotel and they're paying the same rate.

MR. DELEON: I think the biggest restriction, the biggest difference is the number of rooms you can have.

COUNCILMEMBER VICTORINO: I hear you.

MR. DELEON: On a hotel property say it's an acre you're gonna have a couple hundred rooms and under this ordinance you can have six.

COUNCILMEMBER VICTORINO: Okay. Okay, so just so that we get it very clear to the public that what we're discussing today, and I know we're not gonna take any action but I think it's important for them to understand.

MR. DELEON: Thank you.

COUNCILMEMBER VICTORINO: You know there is a difference and then we've gotta look at that difference between short-term rentals as a individual dwelling and a hotel and giving the same rate is not being fair. Okay, thank you. Thank you, Mr. Chair.

CHAIR WHITE: Thank you. Any other questions? I'm, I think it's, it's clear that they don't have the same rights as condos or the same freedoms that condos have. One other thing,

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I appreciate you're bringing up the issue of the study regarding that 12,000 or 11,600-something vacation rentals. That study we looked for and it's not yet published, and I don't know whether it's the annual visitor plant inventory study or something else that focused specifically on vacation rentals, but I think you're right. When I saw that number, it has to involve some of the Minatoya properties and so we'll have to, before we can get concerned about that number and obviously if it doesn't include the Minatoya properties then it's a huge jump but I just can't imagine that that's what is driving it so.

MR. DELEON: Mr. Chair, I think what the problem there is, in Honolulu they don't handle the vacation rentals and condominiums in the same manner as we do. We do it in a manner of zoning, they do it under permit and so most of their condominiums today in Waikiki that are being rented as short term are under permit, under vacation rental permit. We handle it via zoning so, so those properties that are, that come under the what's called the Minatoya Rule have the right to do that even though their in a Apartment District. So --

CHAIR WHITE: Yeah.

MR. DELEON: --I think the people in Honolulu misconstrued what they were seeing.

CHAIR WHITE: Right. Yeah, I think you're right and I think I don't want the Members to get too or the public to get too concerned that we've gone from 3,600 vacation rental units to almost 12,000 until we get the, get the actual study and can see what they've ...*(inaudible)*...

MR. DELEON: Thank you for that accuracy, I appreciate it.

CHAIR WHITE: Any other questions, Members?

COUNCILMEMBER VICTORINO: Not now.

CHAIR WHITE: Seeing none, thank you very much, Mr. DeLeon. And our next testifier is Paul Laub, and after Mr. Laub's testimony we will check in with our District Offices.

MR. LAUB: Aloha, everybody, I'm Paul Laub. And I have a little house that I live in, it's a plantation house, it's about 900 square feet. which was fine when my keiki were small, but now that they're men and Adina has three grown daughters, the house was way, way too small, tried to get a second floor, couldn't get a second floor, it took so long, two years, after two years I kinda quit trying. The house next door came up available and so I bought that, fixed that up, and so and I'm using that as a short-term rental when our six kids are not here. So last year our taxes were \$9,000 for that house, and this year under Hotel it's \$14,500. I'm teaching, I'm a substitute teacher so I get 150 a day minus deductions so it comes out about 125 a day, no benefits but that's how it is, you know,

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you're a substitute teacher. So if you look at that, the difference between the 9,000 and the 14,500 is about 37 teaching days a year. However if you, you know, you look at 15,000, \$15,000 for taxes that's a 100 teaching days a year, that's a lot. And I don't think it's quite appropriate I think that a, you know, a rate more Commercialized Residential, Commercial, something like that would be much more appropriate. And that's basically all I have to say.

CHAIR WHITE: Okay. Members questions for the testifier? Seeing none, thank you very much --

MR. LAUB: Thank you very much.

CHAIR WHITE: --for your testimony, Mr. Laub. And we'll go first to our Hana Office, Dawn do you have any testifiers this morning?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office and there is no one waiting to testify.

CHAIR WHITE: Thank you very much. And we'll go next to Denise on Lanai?

MS. FERNANDEZ: Good morning Chair. This is Denise Fernandez on Lanai and there is no one waiting to testify.

CHAIR WHITE: Thank you and next we'll go to Molokai, Ella, do you have anyone waiting to testify?

MS. ALCON: Good morning, Chair. This is Ella Alcon on Molokai and there is no one here waiting to testify.

CHAIR WHITE: Thank you very much, ladies, we'll come back to you in a little while. We've got two more testifiers that have signed up and if there is anyone else in the Chambers who would like to provide testimony this morning please sign up or be ready to come to the podium. Our next testifier is, Thomas Croly, testifying on BF-76.

MR. CROLY: Aloha, Chair. Aloha, Committee, I'm Tom Croly and I'm testifying on behalf of the Maui Vacation Rental Association. We really appreciate the Chair taking time on the agenda today to have this discussion about what the proper tax classification for the permit-holding short-term rental home folks should be. The MVRA supports short-term rental permit holders being designated to the Commercial tax classification as a matter of fairness. In general our tax classifications are dictated by zoning, whatever zoning's in, zoning your property is in, that's the, the classification that your taxes go in, into with a few specific exceptions. One of those is homeowner if you're, if you live in your home

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then you go into that category. Another one is Commercialized Residential if you have a bed and breakfast permit you'll go into Commercialized Residential. And another one is Time Share, if the property is being used for time share you go into the Time Share class. Other than those exceptions, in general it's zoning that dictates the classification you go into, and this makes sense because your zoning gives you certain property rights. Based on your zoning it says how much you can build on that house, on that property, how much you can use that property. Hotel zoning grants kind of the, the, the biggest rights that we have, you can build a building as high as 12 stories, you can use the land very intensely in Hotel zoning. So it's appropriate that hotels pay a higher tax rate because they're getting a greater benefit. When one gets a short-term rental permit, they're not getting a greater land benefit, they're saying, the permit says the house that has to be preexisting on that, on that property may be now rented for short periods. That doesn't turn it into a hotel. So we don't think it's appropriate that, that Hotel be, be the designated category. However, we do recognize that you have to go through an extra step in order to get that ability to rent short term and there should be some additional, you know, taxation for that. That's why we feel like the next step up from Residential would be Commercial and that would be the appropriate category to put these folks into. As Cathy pointed out with respect to the condominium units, condominium units are classified based on the use declared by the owner. If the owner says I rent this out short term, they get put into the Hotel class, if the owner says I use this for just my own purposes then they get put into Residential. If the owner say's I live here, then they get put into Hotel or I'm sorry, Homeowner. So it's, it's a little different in the condo the way that they, they manage it because condos are in various different zoning, so you can have one condo building sitting in one zoning district being used in multiple ways. So that's why condos have a unique way that they're classified and that doesn't apply to non-condominium properties and it shouldn't apply to --

MS. YOSHIMURA: Three minutes.

MR. CROLY: --the short-term rental homes. As has already been touched on, it's very important that we set a fair tax rate in order to foster compliance. I want to, I want to congratulate or recognize the 100-plus, 150 folks that have come forward to apply for permits under the short-term rental program. We do have a total of 400 permits that are available, I hope in short order we're going to fill all 400 of those, but I can tell you of the 150 that have come forward to this point, many have said I'm ready to give my permit back if this 63 percent increase in my taxes stands, because I can't afford to pay 63 percent higher property taxes and make this, the economics of this work. So, that's one fairness aspect, another one is the fact that the Administration has been aware that there are people operating without permits, those people haven't seen any kind of impact to their taxes. So look at it --

MS. YOSHIMURA: Four minutes.

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MR. CROLY: --from the perspective of if you sit back and say I won't get a permit and you keep a lower tax rate, but if you're the good guy and come forward and you get a permit and now you're told your taxes go up by 63 percent it's just not a fair situation. So I stand here interested in the discussion that you have in Committee today and hopefully will come forward with a bill in the future that we can actually take some action on, and if you have any questions I'm here as a resource for you.

CHAIR WHITE: Thank you, Mr. Croly. Members, questions for the testifier? Mr. Victorino.

COUNCILMEMBER VICTORINO: Mr. Chair. Thank you and thank you, Tom, for being here and we appreciate your testimony. So you heard me ask Dave DeLeon the questions earlier, you know, basically in your opinion then we should be looking at instead of going from I guess Residential, that's where we were, and going straight to Hotel that Commercial should be the interim step as far as that is concerned, as far as tax rate is concerned?

MR. CROLY: To give you an example --

COUNCILMEMBER VICTORINO: Yeah give me an example.

MR. CROLY: --Councilmember Victorino, the difference in the total tax bill --

COUNCILMEMBER VICTORINO: Right.

MR. CROLY: --for someone at Residential versus going to Commercial is 23 percent.

COUNCILMEMBER VICTORINO: Yeah.

MR. CROLY: It's a 23 percent increase to go from Residential up to Commercial based on the rates that you set this year.

COUNCILMEMBER VICTORINO: Yeah.

MR. CROLY: That 23 percent there's going to be some of our members who are going to say I think that that's unfair, I think I should keep my taxation at the zoning rate. But looking at it and saying okay, if you are at let's say \$10,000 in taxes and we're gonna push you up to 12,300 that's a bite they can, they can deal with. But you heard one testifier here say going all the way up to Hotel took him from \$9,000 to 14,500, that was just unfair, you know, and in some people's minds that takes it to the point of it's not worth getting a permit at that point.

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COUNCILMEMBER VICTORINO: Thank you for that distinction and I agree with you, you know, 23 percent even though that is quite sizeable to anybody would be much more appropriate than a 63 percent increase, and I think, you know, as we discuss this matter we'll look more into it but thank you for your clarification --

MR. CROLY: Thank you.

COUNCILMEMBER VICTORINO: --just so that I understand and the public understands what we're discussing this morning. Thank you.

CHAIR WHITE: You're welcome. Members other questions for, Mr. Croly? Seeing none, thank you very much for --

MR. CROLY: Thank you, Chair.

CHAIR WHITE: --your testimony this morning. Our next testifier is Holden Smith, he's the last person to have signed up to testify. So is there anyone else in the Chambers who would like to follow Mr. Holden?

MR. H. SMITH: How are you? I'm a little nervous talking in front of people. You have a lovely daughter --

CHAIR WHITE: Just --

MR. H. SMITH: --and great son ball player. Hi.

CHAIR WHITE: --relax. Just like you're a, talk like you're ...*(inaudible)*...

MR. H. SMITH: Okay, I'm property manager, my mother is 80 years old, it's her house, she worked for Dole Pineapple for 50 years and the last 10 years of her career she commuted three hours to work every day. So anyway our property taxes before were 18,000 a year, it's now we're paying almost 32, so and we did the right thing by getting the permit and paying all our taxes and doing the right thing so I think it's unfair the increase. Thank you very much.

CHAIR WHITE: Thank you. Member --

COUNCILMEMBER VICTORINO: Chair.

CHAIR WHITE: --Mr. Victorino.

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COUNCILMEMBER VICTORINO: Yeah. Well first of all I didn't get your name 'cause you were...

MR. H. SMITH: Oh, I'm sorry, my name is Holden Smith.

COUNCILMEMBER VICTORINO: --Holden Smith.

MR. H. SMITH: Yeah, I'm property manager of Maui Sandy Beach –

COUNCILMEMBER VICTORINO: Okay.

MR. H. SMITH: --we're over in Lahaina.

COUNCILMEMBER VICTORINO: Okay very good. And then you heard the comment Mr. Croly made about instead of 63 percent looking at around a 23 percent increase if we went from Residential to Commercial.

MR. H. SMITH: Uh-huh.

COUNCILMEMBER VICTORINO: Would you be able to because he said it, would you be able to live with something of that...

MR. H. SMITH: Yes, that would be wonderful.

COUNCILMEMBER VICTORINO: Okay.

MR. H. SMITH: Yes, thank you very much.

COUNCILMEMBER VICTORINO: Okay. Just wanted to know from your perspective.

MR. H. SMITH: Okay, great, thank you.

CHAIR WHITE: Okay. Members, any or is there anyone else wishing to testify? Okay, we'll go check with our District Offices first in Hana, Dawn, has anyone shown up?

MS. LONO: There is no one waiting at the Hana Office to testify, Chair.

CHAIR WHITE: Thank you very much and, Denise, anyone interested in testifying on Lanai?

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

CHAIR WHITE: Thank you and, Ella on Molokai?

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MS. ALCON: There is no one here on Molokai waiting to testify.

CHAIR WHITE: Okay, thank you, ladies. And with that, Members, without objection, the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

...END OF PUBLIC TESTIMONY...

ITEM NO. 125: AMENDING FISCAL YEAR 2015 BUDGET:
ECONOMIC DEVELOPMENT REVOLVING FUND
(CC 14-223)

CHAIR WHITE: Okay, public testimony is closed. And as I mentioned at the earlier part of the meeting the item on the agenda noted as BF-125, Amending Fiscal Year 2015 Budget for the Economic Development Revolving Fund will be deferred to our next meeting, and without objection we'll move item BF-124 to the end of calendar.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Since that situation has been mostly rectified there won't be much need for discussion on that. So with that, Members we'll start with BF-113.

COUNCILMEMBER VICTORINO: Mr. Chair.

CHAIR WHITE: Yes.

COUNCILMEMBER VICTORINO: Would like to ask us if we'd like to defer 125? You didn't, you just kind of said it and then you said is there. . .you never asked if there's any objections.

CHAIR WHITE: Thank you for that. Any concerns or objections to deferring Item 125.

COUNCIL MEMBERS: No objections.

COUNCILMEMBER VICTORINO: No objections, Mr. Chair.

COUNCIL MEMBERS VOICED NO OBJECTIONS

ACTION: DEFER no discussion.

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**ITEM NO. 113: NOTICE OF TRANSFER OF APPROPRIATIONS FROM
COUNTYWIDE COSTS – GENERAL COSTS TO
VARIOUS DEPARTMENTS** (CCs 14-144, 14-205)

CHAIR WHITE: Thank you, Mr. Victorino. Okay, with that we are ready to consider Notice of Transfer of Appropriations From Countywide Costs – General Costs to Various Departments, and basically what this is for is the transfer of funds from the Countywide Costs to cover the various salary increases. So with that I'll open it up for Mr. Baz or Mr. Walker to provide comments.

MR. BAZ: Thank you, Mr. Chair. Again this is a second transfer, the final transfer of the year for those collective bargaining increases that wouldn't be on the program budget of the departments and you'll see a breakdown there. I do need to make one correction, it was erroneously stated that the money came from the Countywide Cost General Cost but it actually came from the Countywide Cost Fringe Benefit Costs. So just that correction in that and open to any questions.

CHAIR WHITE: Okay. Members, any questions on the transfers?

COUNCILMEMBER VICTORINO: No questions, Mr. Chair.

CHAIR WHITE: Okay. Mr. Baz, thank you for that correction, we had noticed the same thing of, the transfer would've significantly stripped the appropriated amount in general costs. But one of the questions that I had was that there are some very large transfers, 773,000 to Fire and Public Safety, over \$1 million to Police, \$1.6 million, and then they're all relatively large except that we have fairly small transfers for Department of Parks and Recreation, oh, that's the golf fund, I'm sorry. Oh no, in the overall Parks Department the transfer is only \$490, is that because there was a larger transfer earlier?

MR. BAZ: Yes, that's correct.

CHAIR WHITE: And is the same for Department of Environmental Management? That transfer is only \$2,600.

MR. BAZ: I'd have to double check on it, no I don't believe so I think this was the only transfer we did for Environmental Management. The last, this final transfer was based on calculations by the Department of Finance as they finished the last payroll of the year, so prior to the closing of the year they calculated how much that program may be short. So this was just to shore up the program so that they wouldn't be overspent.

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CHAIR WHITE: Okay so that, that indicates that Environmental Management had a significant enough amount of resources to pay the increases without much of a transfer.

MR. BAZ: I believe so I'd have to check on that first to confirm, yeah.

CHAIR WHITE: Okay. Members, any questions, any further questions on this item? Mr. Walker, anything to add? Okay, thank you. With that we will move to the BF-76 Short-Term Rental Property Taxes. And Members, as. . .

UNIDENTIFIED SPEAKER: Chair, excuse me, Chair.

CHAIR WHITE: I'm sorry. Oh thank you, yeah, we, well between Mr. Victorino and my trusty Staff, Michele keeping me on point today. Without objection, we will file BF-113 and note for the record that the, this is coming out of the Fringe Benefit line not General Costs.

COUNCILMEMBER VICTORINO. No objection, Mr. Chair.

CHAIR WHITE: Okay. Thank you very much. And moving to BF-76. . .oh, I'm sorry . . .(chuckled). . . the Chair would entertain a motion to file BF-113 and County Communication. . .let me get back to my page. What is the County Communication No.?

COUNCILMEMBER VICTORINO: 14-114 I think.

MS. BOUTHILLIER: Mr. Chair, the County Communications to be filed are 14-144 and 14-205.

CHAIR WHITE: Okay. Is there such a. . .

COUNCILMEMBER VICTORINO: So move, Mr. Chair.

CHAIR WHITE: Thank you for the motion.

COUNCILMEMBER CRIVELLO: Seconded. Second.

CHAIR WHITE: It's been moved by Mr. Victorino and seconded by Ms. Crivello. Any further discussion, Members? Seeing none, all those in favor, please signify by saying "aye."

COUNCIL MEMBERS: Aye.

CHAIR WHITE: Those opposed, say no. Measure carries, six ayes, zero noes.

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VOTE: **AYES:** **Chair White, and Councilmembers Carroll, Cochran, Crivello, Guzman, and Victorino.**

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Vice-Chair Hokama, and Councilmembers Baisa, and Couch.**

MOTION CARRIED.

ACTION: **FILING of communications by C.R.**

CHAIR WHITE: Just gonna take a quick recess. . . .(gavel). . .

 RECESS: 9:50 a.m.
RECONVENE: 9:51 a.m.

ITEM NO. 76: SHORT-TERM RENTAL PROPERTY TAXES (CC 14-197)

CHAIR WHITE: . . .(gavel). . . Okay, Members, we'll be proceeding with BF-76, the Short-term Rental Property Tax issue, and we just distributed for your review the bill that was presented earlier. The purpose of that, of this bill is not the same as the discussions we've had this morning regarding the interest in being considered for a Commercial rate. The initial presentation that's included in this bill was to tax the land at the zoned rate and then tax the building at a Hotel rate. There are some, there were some concerns brought up by the Real Property Assessment Division and so the Chair's interest today, since we're gonna have to be modifying this bill anyway, is to get a sense of where you would like us to move this measure. I think the testimony that we've heard is rather compelling with respect to a Commercial rate being a fairer rate than jumping all the way up to a Hotel classification. So with that, Mr. Walker, do you have any comments?

MR. WALKER: Good morning, Chair, Committee members. Yes, I can understand why this is a hot topic, if I got a tax bill for \$14,000 I would probably be down here testifying as well. Having said that obviously I look to this body for direction, I don't know what the thinking was as relates to real property choosing Hotel but other than they thought that that was the closest use that aligned with, I mean the closest tax rate that aligned with the

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use. But again and I, and I, guess the other thing I would say is I believe it's a long-term intention of the, of the current Administrator to reduce the amount of classifications as, as opposed to expand them. Whether that can be done and, you know, a smaller batch of tax rates be able to catch everything that goes on here, I'm not sure, but I guess that, that those are my only remarks and I look to this body for, for direction and would certainly would provide any additional information you may need from a real property tax perspective.

CHAIR WHITE: Okay. Thank you, Mr. Walker. Members, questions for the Department and also if you have further questions for any of the testifiers they're still, most of them are still here and I'm sure they'd be willing to provide resource availability. Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you and thank you, Mr. Chair, for allowing us to at least look at, am I correct in saying that I was told we're not gonna take any action today on this matter?

CHAIR WHITE: No, because it requires a fair amount of redo so we --

COUNCILMEMBER VICTORINO: Okay.

CHAIR WHITE: --we'd rather just get a sense of where. . .

COUNCILMEMBER VICTORINO: The direction.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: Okay. I guess the question begs to be asked, Mr. . . .(pause). . . Walker. . . sometimes I, it's contagious this morning, I admit that. Mr. Walker, you know, I understand best use, I guess this is how the Department determined taking it from Residential to Hotel trying to, that's the closest comparison I guess that's and I guess fair enough to them; however, for myself and I think many others in this room and I won't speak for them but I think we all agree that, that's a heck of a jump, 63 percent. And we just went through the whole process of trying to reduce rates to help people and we turn around and do something that, you know, really and in a sense capricious and arbitrary, there was no public hearing or discussion, it was just decided upon. And I'm not knocking the Department, you know, that's their responsibility; however, do you feel if we were to say taking this from Residential to Commercial level which is a commercial and it's not maybe as we define retail but it is a commercial entity. In taking that instead 63 to 23, would that be fair in your opinion as far as this type of property knowing the type of business that they're in?

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MR. WALKER: I mean I would, I guess I would start by saying, you know, I what I'd like to do is confer with my real property assessment people, but if you're trying to reduce rates then I guess that would be a fair way to do it. If that's, you know, if, I mean I guess I look more to this body and say if you feel that they're being overtaxed based on their use then you know what's, how can you reduce those taxes. And, you know, is it a commercial business? Yeah it's a commercial business, they have a business license, et cetera so I mean I think there's probably some rationale to be able to, you know, discuss putting them in that tax category.

COUNCILMEMBER VICTORINO: As we did with the B&Bs we actually created their own tax classification. I don't know if we want to do that, and that may be something that will come up in our further discussion; however, you know, taking them from a Residential to Hotel and not having the, it's not being fair, it's not balancing that scale right there. And so I would believe in my mind that something jumping to commercial and/or creating their own tax rate which I don't know if you want another tax rate, tax category, I should say, I apologize tax category like we did with the B&B may be more appropriate. But again you understand the question and it's not really changing the tax rate, it's really changing the classification, and sometime this best use ability by RPT sometimes really has detrimental effects and this is the impact we've seen. So I think, you know, more discussion begs to be done with this issue, Mr. Chair and I agree I just want to get a feel on what the Department feels on top of everything else as some of the testifiers, I know one for sure mentioned, you know, we, they've worked hard to get legal, they finally got everything set and bam, this monkey wrench is thrown into the equation and is that fair to them, you know? Again I don't want to promulgate and have a whole mess of houses changed over to short-term rental, I'm not that, and I think we have 400, is that, I think we have that, right, that measure and we limit the numbers in different communities just like we did with the B&B so I think we're safe in that area. But this 63 percent is very erroneous and very, very hard on these people and I do not believe it's fair at this point in time. So I would look forward to either creating another classification, I don't know if the Department wants that 'cause now we're gonna have classifications all over the place or then just putting them in Commercial which I think would be a fair step in the right direction as far as that type of business is concerned. So I'll wait to hear what my other colleagues have but the last thing I'll ask you as far these are concerned, these dwellings, they were Residential so they weren't even in any kind of exemptions for any kind of like we have at Homeowners there were no exemptions in this area?

MR. WALKER: Correct.

COUNCILMEMBER VICTORINO: Okay. So just so the people understand this is not like taking it from Homeowners to another issue it was Residential. And what is the Residential, 5.00, 6.00-something I forget what it is, I don't have it right in front of me. But, you know, so again I think I tend to agree I would like to see the step more to

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Commercial than Hotel because they cannot compete in that respect and then we'll drive many of them underground again and we'll lose tax revenue, we'll force them to operate illegally. Again that's not our job, our job is to give them an opportunity to perform legally, to collect the correct taxes that we, the County deserve and to make sure that business has an opportunity to at least survive. And without those and what we're plan, we've done here and no offense to anyone is really ensure that some of these people would not survive and again like I said, Mr. Chair, we'd go back underground and that's just exactly counter to what we've been trying to accomplish here. Thank you, Mr. Chair.

CHAIR WHITE: Thank you. Mr. Carroll.

COUNCILMEMBER CARROLL: Thank you, Chair. We've talked pretty endlessly about this in previous meetings and when we came up with the Hotel rate and all of that and the impacts that the, this services that they supply generate. And I think after we've all had a chance to look at it and we've worked with the different, the organization and different people that have these supplying these services and most of them that I've talked to feel that a Commercial rate is acceptable. It's more, it's a lot more. I don't think we need to make a special rate, it's a policy decision and I think that this Council can make a policy decision and just go over there and go with a Commercial rate. I think it covers the impacts that this category brings to the community, useful parks and other things, I think it covers that well. Hindsight 20/20, I think we went a little bit overboard in Hotel classification, but it was something new and we were having a lot of problems with it. After review and after seeing the impacts that we have now, I would support the Commercial rate. Thank you.

CHAIR WHITE: Okay. Thank you. Yeah, just to clarify I think that part of the challenge is that when we established the STR Bill, we didn't identify which classification it should go into, and so it therefore went into Hotel because there was no other easy slot to put it in. But I think the many of the points that have been brought up in previous testimony and again today do reflect that it's a very different business model because they spend a lot of money to get the permit and it's not transferrable. So they don't have the same level of rights that hotels and other condos have to remain in business regardless of whether they sell the business or not. So the Chair will, well if there, are there any other comments or concerns? Mr. Guzman.

COUNCILMEMBER GUZMAN: Thank you, Chair. I also am in support of I guess re-designation of the rate. The reasons are compelling, the distinction, the distinctions are between the two classes are apparent. The only question that I have is when we're classifying it as just Commercial, what are the impacts in terms of the commercial businesses going on currently versus the impacts that would be I guess projected or predicted from the short-term rental business? And then the other question would be

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what is the distinction between Commercial and Commercialize Residential? Are we talking about putting them in the Commercialized Residential category?

CHAIR WHITE: No, I believe the Commercialized Residential category is just for Bed and Breakfasts --

COUNCILMEMBER GUZMAN: Yeah B&B.

CHAIR WHITE: --and that requires somebody living on the property. Therefore they're kind of in between Homeowner and Residential or Commercial. The intent of the, after the discussions today is to put it in the Commercial category with all other Commercial businesses as a, as a way to solve a perceived unfairness in making the jump all the way to the Hotel tax rate.

COUNCILMEMBER GUZMAN: Yeah. No I, I understand that but in terms of Mr. Couch's Committee, we're examining the home-based business and, and are we also going to be looking at those homes that are going to be I guess starting out their home-based businesses and put those, those homes or residentials in the Commercial category as well?

CHAIR WHITE: This Chair doesn't have any intention of addressing that until we have a much clearer indication as to what, where that bill is going to end up and the level of commercialization in the neighborhoods that is going to take place, and until we have a better handle on that I'm not sure this Committee needs to move in any specific direction.

COUNCILMEMBER GUZMAN: My point being, Chair, is that if we make the distinction now between this type of business and what Don Couch's Committee is working on there would be less of an argument later on from the I guess the brick or not the brick but the standard type businesses in arguing that they should have lesser or more tax or distinction between the classifications because of either impact or profitability, such and whatever the arguments may be. But I definitely would like to see maybe a more distinction between plain Commercial versus what they're doing right now in operation wise and profitability wise too. Thank you.

CHAIR WHITE: Good point, thank you.

COUNCILMEMBER CRIVELLO: Chair.

CHAIR WHITE: Ms. Crivello.

COUNCILMEMBER CRIVELLO: I too would support the matter of us looking into with how do we want to distinguish the short-term rentals as opposed to the classification. I think

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we recognize that the zoning really dictates and if the short-term rentals are not zoned into the Hotel District we, I don't think we're being fair. So at this point I hope we would either come up with a, like my colleague, Mr. Victorino mentioned perhaps consider its own tax rate or somewhat into the Commercial but at least this allows us an opportunity to start having the discussion, because it was never granted any kind of tax rate originally when this was worked on. I think one of the concerns that we really should determine is how do we get people to make their STRs legal --

CHAIR WHITE: Right.

COUNCILMEMBER CRIVELLO: --you know, that's one of the major problems we have. Thank you.

CHAIR WHITE: Yeah. I think we're all interested in making sure that we are working towards a reduction in the number of underground operations. And that's always been the focus so any further comments, Members, or questions for the Department?

COUNCILMEMBER COCHRAN: Chair.

CHAIR WHITE: Yes, Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair and just your handout that you'd given, this is via you right, Chair? Yeah.

CHAIR WHITE: Correct.

COUNCILMEMBER COCHRAN: The handout earlier on number five, it I just item five yeah, four, five, I guess for Department, so this is referring 'cause this is an addition right to this underlying --

CHAIR WHITE: Actually

COUNCILMEMBER COCHRAN: --or is this striking?

CHAIR WHITE: Yeah. You weren't here when, when I opened it up but basically this was the bill that was initially submitted but we're changing course somewhat and so we'll be re-drafting the --

COUNCILMEMBER COCHRAN: This?

CHAIR WHITE: --the bill. Yeah.

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COUNCILMEMBER COCHRAN: Okay. So we'll go into probably more detail then.

CHAIR WHITE: Yes.

COUNCILMEMBER COCHRAN: Okay. Alright I won't yeah belabor all this then at this point. But I just had a question about five.

CHAIR WHITE: Any further questions, Members? Seeing none, the Chair will work with the Real Property Tax Assessment Division and Staff to re-craft this bill, focused on the direction that we've discussed this morning, and please provide Staff any input that you feel would be appropriate for us to incorporate in the measure as we work towards it, and we'll also be working with the folks from the industry as well and make sure that we've got things moving in the right direction. So with that, Members without objection, the Chair would like to defer this measure.

COUNCIL MEMBERS: No objections.

COUNCIL MEMBERS VOICED NO OBJECTIONS

ACTION: DEFER pending further discussion.

CHAIR WHITE: Okay, thank you. And we're gonna take our morning break before we get into the last item. We're in recess. Please be back at 10:20. . .(gavel). . .

RECESS: 10:08 a.m.
RECONVENE: 10:26 a.m.

**ITEM NO. 124: DEPARTMENT OF ENVIRONMENTAL
MANAGEMENT, SOLID WASTE DIVISION, FISCAL
YEAR 2015 BUDGET (CC 14-212)**

CHAIR WHITE: Okay, Members, we're going to move onto the last item which is BF 124 the issue regarding the solid waste challenges that we've had. And so I'd like to offer the following comments, and Council Chair Baisa and the Mayor have agreed with the Budget Committee's position that the reductions in landfill hours and refuse collection services should be reversed. We are all pleased with that; however, it is important to set the record straight. Cutting core services was never necessary. The Council passed the budget with more than adequate funds for the services to continue. I think it's important for us all to remember as well that no Administration has ever cut services in any department in the first part of the fiscal year. And also there have been a number of

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comments about the financial conditions, and one of the items that has been thrown out is the comment that there are potential fines of between, of around \$560,000, well that's an average over I believe an eight or longer period of time. And I want to assure the public that we simply do not have that hanging over our heads right now. In fact, having spoken with the State Department of Health Inspector for Maui County, he stated that there are no pending violations. I said do you have any concerns? He said, we have no concerns. And I said do you have any issues that you feel might grow into a concern or a violation at some time in the near future? And he said, no. And I said well the Administration is asking for additional staffing. He said, well staffing is not our call, we are simply concerned with how the landfill is operated, the staffing is up to the County. And I, he confirmed as well that there have been no violations since 2011, and as I've said before, I believe that the Department has doing, been doing a very good job with existing staff and there may be some need to make some adjustments. But I also want to assure the County workers in the Solid Waste Division that the Division will not be running out of funds in three to four months contrary to what was stated last week. There's more than adequate funds in the budget for them to keep operating. The other item that was stated last week was that the Solid Waste did not get the \$300,000 that they asked for. I think part of the challenge that we have is that we're not talking about the same numbers, because I can't find a \$300,000 number in our budget that we didn't approve, the number is about 140,000 in the positions that were not granted. They said that it's 10 percent, that \$300,000 is 10 percent of the budget. I couldn't find any part of the budget that, that was 10 percent of. The bottom line is that the public expects and deserves that their trash be picked up and the landfill be operating at convenient times for disposal. We seem to be talking about different sets of numbers, so now that services have been restored, this Chair will sit down with the Director of Environmental Management and review the budget to see where the numbers are off so that at least we're talking about the same items. And I think it's important for the public to understand some of these numbers, and I know my wife starts glazing over when I start talking numbers, but I feel a need to do this because we've done a budget comparison and I'm happy to share this with the Committee, if you'd like copies, please ask the Staff. But for example even though we have cut landfill hours and refuse collection, the difference in landfill salaries and wages from the Fiscal '14 adopted Budget and the Fiscal '15 year Budget is \$165,000 more in landfill or an increase of 12 percent and \$162,000 in refuse collection or about 8 percent. The premium pay in both sections has been increased by over 27 percent so the total operating labor budget that is available to the Department has been increased over last year by 11.5 percent. So this Chair has a hard time understanding where the need for the cuts comes. The concern that I have is that the Administration may have given us a budget that they couldn't live with. We did at the recommendation of the Administration, we did reduce landfill operations by about \$390,000 from the previous year but those were recommendations by the Administration, those were not Council cuts. We increased the refuse collection budget by about the same amount and I believe that was to cover the cost of replacement tires for the entire fleet. So again just to go through a

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couple other numbers, the equipment budget was increased by almost three times, actually almost four times, and the budget for recycling, the solid waste alternatives, and the metals programs has increased by \$208,000 or 5 percent. So these, these numbers leave me questioning where the problem is as I've said before. So again regarding staffing, if the additional staff need is so critical that we have to make cuts in the first month of the year, why is it that the two positions that were authorized by this Council on I believe it was June 7th or 8th why have those not been filled? Why have they not even been advertised to be filled? Additionally, you all will remember that during budget we were asked to transfer a vacant position from Wastewater which is part of the same Department to Public Works. So if the need is so critical in Solid Waste that we need to cut services in the first part of the fiscal year, then why is it that the Administration wasn't asking us to transfer that position to Solid Waste instead? I bring this up only because during Budget we made it very clear all you need to do if where you have critical needs then all you need to do is help us by identifying vacant positions in other departments that can be transferred to solve pressing challenges. The response we received during budget was yeah but you're asking us to pit one department head against another. Well I'm asking that we take some leadership and make changes that can solve problems. The other question that comes to my mind is it appears in reviewing the budget that the Administration may not have taken into consideration a budget increase, because they had asked for an \$864,000 budget amendment last year. We gave that to them and as of the end of August that was, they still had a Carryover/Savings of about \$895,000 so they didn't use or they didn't need it. It appears now that some invoices have been put through to use up approximately half of that amount and there may be more, but that just again makes me question why we didn't get a larger budget to begin with. And this Chair is happy to work with the Administration as we always have done to make sure the appropriate resources are available. This Committee however should not and will not take responsibility for the decision to unnecessarily cut services, it was the Administration's decision to do so and it is appropriate that this decision was reversed, and I think we're all pleased that, that has happened and I wish it hadn't taken as long as it did, but this Chair is happy with that decision and happy that the services have been restored, and this Chair and I'm sure this Committee are ready to move on and get other things accomplished.

ACTION: DEFER pending further discussion.

CHAIR WHITE: So with that, Members, the Chair is happy to move on and I think we're done for today. So we will adjourn. . . .(gavel). . .

ADJOURN: 10:37 a.m.

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APPROVED:



MIKE WHITE, Chair
Budget and Finance Committee

bf:min:140916:cv

Transcribed by: Cheryl von Kugler

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CERTIFICATE

I, Cheryl von Kugler, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 2nd day of October, 2014, in Kihei, Hawaii

A handwritten signature in cursive script, reading "Cheryl von Kugler", is written over a horizontal line.

Cheryl von Kugler